OLR Bill Analysis

sSB 467

AN ACT CONCERNING STATE GRANTS IN LIEU OF PROPERTY TAXES.

SUMMARY:

This bill restructures the statutory formulas for state payments in lieu of taxes (PILOTs) that reimburse municipalities for the lost revenue from certain tax-exempt property.

By law, the state makes annual PILOTs to municipalities to reimburse them for a part of the revenue loss from (1) state-owned property, Indian reservation and trust land, and municipally owned airports ("state-owned property") and (2) private nonprofit college and hospital property ("college and hospital property"). Under current law, these PILOTs are based on (1) a specified percentage of taxes that the municipality would otherwise collect on the property (generally 45% for state-owned property and 77% for college and hospital property) and (2) the amount the state appropriates for the payments.

The bill instead, over a five-year phase-in period from FY 16 to FY 20, shifts the basis of the payments to the percentage of each municipality's grand list comprised of all tax-exempt real property. With certain exceptions, the 20 municipalities with the highest percentage of tax-exempt real property receive a 50% PILOT, the next 20 municipalities receive a 45% PILOT, and the remaining municipalities receive a 40% PILOT. Unlike the PILOTs under current law, the bill does not contain provisions requiring these grants to be proportionately reduced if the state appropriation for the grants is not enough to pay the full amount to every municipality. Under the bill, municipalities must receive a PILOT equal to or greater than the prorated amount they receive in FY 15. The grants are subject to the existing procedures for claiming and making PILOTs.

The bill requires the Office of Policy and Management (OPM), beginning by July 1, 2016, to annually report for four years to the Finance, Revenue and Bonding Committee on the PILOTs and include its recommendations for changes.

The bill also makes technical and conforming changes, including modifications to the Mashantucket Pequot and Mohegan Fund grants which are based in part on the formulas for distributing state-owned property and college and hospital PILOTs.

EFFECTIVE DATE: July 1, 2014

PILOT REIMBURSEMENT RATES

General PILOT Rates

The bill requires OPM to rank each municipality based on the percentage of tax-exempt real property on its grand list and (2) with certain exceptions, sets a PILOT rate for municipalities based on this ranking. Under the bill, the 20 municipalities with the highest percentage of such property receive a PILOT equal to 50% of the property taxes that would have been paid on tax-exempt state-owned property and college and hospital property. The next 20 municipalities receive a 45% PILOT and the remaining municipalities receive a 40% PILOT.

Under current law, municipalities generally receive PILOTs of 45% for state-owned property and 77% for college and hospital property. However, both grants are proportionately reduced if the state's annual appropriation is not enough to fund the full grants. Under the bill, in each year, municipalities must receive a PILOT equal to or greater than the prorated amount they receive in FY 15.

Rates for Specific Types of Property

As under current law, the bill sets different PILOT rates for specific types of state-owned property. Table 1 lists the affected properties and the PILOT rates under current law and the bill.

Table 1: PILOT Payments for Specified Properties

Type of Property	*PILOT (% of lost revenue)*	
	Current Law (subject to proportional reductions)	*Bill*
Correctional facility or juvenile detention center	100%	75%
Dempsey Hospital permanent medical ward for prisoners	100%	75%
Mashantucket Pequot reservation land designated in 1983 settlement and taken into trust by the federal government on or after June 8, 1999	100%	75%
Connecticut Valley Hospital	65%	55%
Land in any town in which more than 50% of the land is state-owned (Voluntown)	100%	75%
Municipally owned airports	45%	40%
Mashantucket Pequot reservation land designated in 1983 settlement and taken into trust by the federal government for the Mashantucket Pequots before June 8, 1999 and land taken into trust by the federal government for the Mohegans	45% (phased in over five years from, FY 13 to FY 17; not subject to proportional reductions until FY 17)	40%

The bill retains the following PILOTs for municipalities that host specified properties or institutions:

1. $100,000 to Branford for Connecticut Hospice,
2. $1 million to New London for the U.S. Coast Guard Academy, and
3. an additional $60,000 for Voluntown for state-owned forest land.

PHASE-IN SCHEDULE

The bill phases in the new PILOT reimbursement rates over five years, from FY 16 to FY 20. As Table 2 shows, it does so by decreasing the total amount of the PILOTs calculated under the existing formulas (subject to proportional reductions), while simultaneously increasing the amount calculated under the bill's formulas.

Table 2: PILOT Phase-In Schedule

FY	*PILOT Grant Amount*	
	Grant Amount Calculated Under Existing Formulas	*Grant Amount Calculated Under the Bill's Formulas*
2016	80%	20%
2017	60%	40%
2018	40%	60%

2019	20%	80%
2020 and thereafter	0%	100%

BACKGROUND

Related Bill

sHB 5583, favorably reported by the Planning and Development Committee, (1) subjects private nonprofit colleges and hospitals to real property taxes over a five year phase-in period and (2) replaces the college and hospital PILOT program with a new state grant program reimbursing colleges and hospitals for part of the taxes they pay to their host municipalities.

COMMITTEE ACTION

Finance, Revenue and Bonding Committee

Joint Favorable Substitute
Yea 32 Nay 18 (03/25/2014)